

accreditation by the Joint Commission on Accreditation of Hospitals.

(k) The Executive shall designate in writing other individuals, by name or position, who are, in order of succession, authorized to act for him during any period of his absence from the Client.

(l) The Executive shall assist the auxiliary organizations of the Client with policies, management and services when called upon, if such organizations exist.

(m) The Executive shall negotiate, enter into, perform, modify, and terminate all Client contracts with physicians. The Executive shall have the power to bind the Client pursuant to the Executive's signature on the physician contract, subject to Client approval.

(n) The Executive shall develop, implement and administer, and have the authority and responsibility as the Executive for, the following:

- management performance evaluation, compensation and benefit review, including increases or decreases in same, within the salary and compensation structure approved by the Client;

with respect to any management and other employees of Client ("Employees"), recruitment, selection (or dismissal) and advancement of such personnel and provision for their development;

management and organizational structures, titles, position descriptions and reporting relationships for all Employees designed to carry out the policies and directives of the Client; and

with respect to officers, following review by the Client, create, eliminate or modify their positions and job descriptions as appropriate and appoint individuals to assume those responsibilities.

- Subject to restrictions specifically established by the General Partner and/or the Client:

- establish (or terminate) and maintain relationships with independent contractors, professional and consulting organizations to further the purposes of the Client;

- enter into, modify or terminate any contracts or leases of the Client;
 - initiate, defend or settle any claim or lawsuit on behalf of the Client;
 - represent the Client to the public and the press; and
 - make contacts with and serve as spokesman for the Client in relationships with public and governmental officials.
- Serve as the primary liaison in providing direction to and managing the Client relationships with their related and controlled corporations; take whatever steps are necessary to ensure that policies and individuals are in place to facilitate the furtherance of those organizations' corporate objectives consistent with the interests and policies of the Client.
 - Serve as the sole Employee reporting directly to the General Partner.
- (o) With respect to all related and controlled organizations of Client, the Executive shall be the chief executive officer in such organizations.
- (p) In general, the Executive shall manage and direct Client and its related and controlled corporations in what the Executive believes in his discretion to be its best interests, consistent with law and the policies of the General Partner and the Client.

Notwithstanding the foregoing lists of obligations and responsibilities of the Executive, the Executive shall not take any of the following actions without the approval of the General Partner and/or the Client.

1. Contracts, Leases. Enter into any contracts or leases where the term is in excess of three years, or the total payments to be made by the Partnership or Client during the entire term of the contract or lease exceeds \$100,000.

2. Loans, Guaranties. Enter into any loans, as a borrower or lender, where the principal amount exceeds \$20,000, or enter into any guaranties in excess of \$20,000.

3. Joint Ventures. Enter into any joint ventures or partnerships with physicians or any other persons.

4. Management Arrangements. Enter into any management arrangements for a term in excess of one year.

5. Officers. Appoint or remove any officers of the client.

6. Distributions. Make any dividends or other distributions to Partners and individuals, including the timing, amount and allocations of such distributions.

7. Sale of Assets. Sell or agree to sell any asset of the Client (or any lease of greater than three years of such an asset) where the value of such asset exceeds \$5,000.

8. Conflict of Interest Transactions. Enter into any contract on behalf of the Client where Executive, any director, officer or partner has any direct or indirect interest in the party contracting with the Client.

9. Adoption of Budgets. Adopt the annual capital and operating budgets of the Client.

10. Expenditures. Expend, or agree to expend, amounts which in the aggregate exceed \$500,000 over the Client's operating budget for any fiscal year.

11. Capital Budget. Exceed the Client's capital budget by any amounts.

12. Lawsuits. Bring or defend any lawsuit not covered by insurance, where the amount in controversy exceeds \$50,000.

13. Auditors. Change or appoint the Client's independent auditors.

Exhibit

36

FOLEY & LARDNER

ATTORNEYS AT LAW

MILWAUKEE
MADISON
WASHINGTON, D.C.
JACKSONVILLE
ORLANDO
TALLAHASSEE
TAMPA
WEST PALM BEACH

ONE IBM PLAZA
SUITE 3300
330 NORTH WABASH AVENUE
CHICAGO, ILLINOIS 60611
TELEPHONE (312) 755-1900
FACSIMILE (312) 755-1925
WRITER'S DIRECT LINE

A MEMBER OF GLOBALEX
WITH MEMBER OFFICES IN

BERLIN
BRUSSELS
DRESDEN
FRANKFURT
LONDON
PARIS
SINGAPORE
STUTTGART
TAIPEI

August 19, 1994

Mr. F. Scott Gross
President
Primus Management, Inc.
One Eleven Sutter Street
Suite 2150
San Francisco, CA 94104

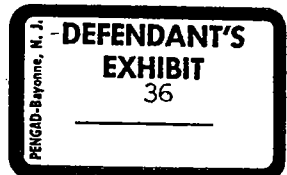
Re: Legal Services for Edgewater Hospital and Medical Center

Dear Scott:

We enjoyed working with you, Dan and Peter in successfully closing the Edgewater acquisition and financing. As with any transaction that is both complicated and lengthy, the fees accumulated on a seemingly geometric basis.

In response to Dan's request, we have agreed to accept payment of our fee submitted at closing in installments, with the initial one-third payable at closing and subsequent installments payable one-third by the end of September 1994 and the balance by the end of October 1994. Enclosed is an invoice reflecting such, showing payment of the first installment. Prior to September 30, 1994, we will provide you with a detailed billing statement and an adjusted invoice to reflect late posting of disbursements.

In recognition that Edgewater has paid a substantial amount of fees in order to commence operations, we would like to offer to you the opportunity to utilize our firm's services at a substantially reduced charge through June 30, 1995. In order to provide for immediate assistance, we offer the first 100 hours of legal services (commencing August 18, 1994) at \$50 per hour and all services in excess of 100 hours through June 30, 1995 payable at \$150 per hour. The billing rate will apply regardless of the billing attorney. We would also expect to bill our out-of-pocket disbursements. Excluded from this offer will be any litigation related matter, which would have a separate billing rate, and any "extraordinary item" related to the financing, the financing structure or any restructuring thereof. Our intention is to provide a reduced rate during the start-up period in order to reduce any hesitancy that may exist to use legal services when needed during this crucial phase.



ESTABLISHED 1842

FL 000239

Mr. F. Scott Gross
August 19, 1994
Page 2

We appreciate your confidence in our abilities to service your needs in Chicago and hope to develop a strong and continuous working relationship. If there is anything we can do for you in Chicago, whether in the nature of legal services or not, please give us a call.

Respectfully,



Robert J. Zimmerman

RJZ:nel
Enclosure

cc: Dan Finnane
Chris J. Mollet
Michael E. Olsen

FL 000240

Exhibit

37



EDGEWATER MEDICAL CENTER

August 5, 1996

Mr. Erik Benson
Trust Officer
Corporate Trust Department
LaSalle National Bank
135 South LaSalle Street
Chicago, Illinois 60603

Ms. Mary McInerney
Executive Director
Illinois Health Facilities Authority
Suite 1100
180 North Stetson Avenue
Chicago, Illinois 60601

Re: IHFA Revenue Bonds, Series 1994
Edgewater Hospital and Medical
Center

Dear Mr. Benson and Ms. McInerney:

The Quarterly Report for the period ending June 30, 1996 is hereby submitted in accordance with Section 9.4 of the Loan Agreement, Section 414 of the Master Indenture, and Sections 110 and 115 of the First Supplemental Master Trust Indenture which comprises:

Exhibit A	Statement of Revenues and Expenses
B	Statement of Changes in Fund Balance
C	Balance Sheet
D	Certification Statement
E-1	Management Report - Finance
E-2	Management Report - Operations
E-3	Other Reporting Requirements
F	Bond Covenant Ratios

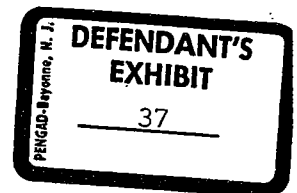
Please contact me if there are any comments or questions.

Sincerely,

Kenneth W. Huff
Vice President of Finance

cc: Ms. M. Elizabeth Ware, Colonial Management Associates
Mr. Jonathan Connolly, Federated Investors, Inc.
Mr. David Belton, Federated Investors, Inc.
Board of Directors, Northside Operating Company
Board of Directors, Permian Health Care, Inc.
Mr. F. Scott Gross, Primus Management, Inc.

RCI 006765



EDGEWATER MEDICAL CENTER
EXHIBIT A
STATEMENT OF REVENUES & EXPENSES

	QTR ENDING 06/30/96	QTR ENDING 06/30/96	QTR ENDING 06/30/96	QTR ENDING 06/30/96	O/O
REVENUE	ACTUAL	BUDGET	VARIANCE	O/O	
ROOM & BOARD	11,498,019	11,908,819	(410,800)	(3.4)	
ANCILLARY INPATIENT	26,328,144	26,692,931	(364,787)	(1.4)	
ANCILLARY-OUTPATIENT	8,788,017	9,260,342	(472,325)	(5.1)	
OTHER OPERATING	763,994	547,990	216,004	39.4	
TOTAL REVENUE	47,378,174	48,410,082	(1,031,908)	(2.1)	
ALLOWANCES					
CONTRACTUAL	28,647,541	30,110,989	(1,463,448)	(4.9)	
CHARITY CARE	373,940	390,250	(16,310)	(4.2)	
OTHER ALLOWANCE	599,325	587,276	32,049	5.6	
CONTRACTUAL	29,620,806	31,088,515	(1,467,709)	(4.7)	
NET REVENUE	17,757,368	17,341,567	415,801	2.4	
EXPENSES					
SALARIES	5,452,839	5,764,157	(311,318)	5.4	
EMPLOYEE BENEFITS	706,344	802,569	(100,225)	12.4	
PHYSICIAN FEES	866,529	822,999	36,470	5.9	
PURCHASED SERVICES	2,059,862	2,044,768	(15,094)	(0.7)	
SUPPLIES	1,677,792	1,845,161	(167,369)	9.1	
INSURANCE	281,632	296,973	(15,341)	5.2	
INTEREST	956,222	967,821	(11,599)	1.2	
REPAIRS/MAINTENANCE	295,914	402,286	(106,372)	26.4	
UTILITIES	308,122	300,000	(8,122)	(2.7)	
IPA PROVIDER TAX	360,356	421,270	(60,914)	14.5	
BAD DEBT EXPENSE	1,656,390	1,479,750	(176,640)	(11.9)	
DEPRECIATION	662,500	662,499	.1	(0.0)	
AMORTIZATION	82,522	82,521	.1	(0.0)	
OTHER EXPENSE	372,805	545,471	(172,666)	31.7	
TOTAL EXPENSES	15,459,829	16,242,245	(782,416)	4.8	
NET OPER. INCOME(LOSS)	2,297,539	1,099,322	1,198,217	109.0	
NON OPER. REVENUE	291,032	300,000	(8,968)	(3.0)	
NET INCOME (LOSS)	2,588,571	1,399,322	1,189,249	85.0	

RCI 006766

RDX 007600

EDGEWATER MEDICAL CENTER
EXHIBIT B
STATEMENT OF CHANGES IN FUNDS BALANCE

	QTR ENDING 06/30/96	QTR ENDING 03/31/96	CHANGE
GENERAL FUND BALANCE-BEGINNING	14,050,197	10,655,584	3,394,613
RESULTS FROM OPERATIONS	2,297,539	3,304,464	(1,006,925)
NON OPERATING REVENUE	291,032	90,149	200,883
GENERAL FUND BALANCE-ENDING	16,638,768	14,050,197	2,588,571

	QTR ENDING 06/30/96	QTR ENDING 03/31/96	CHANGE
RESTRICTED FUND BALANCE-BEGINNING	2,937,636	0	2,937,636
ADDITIONS	0	2,937,636	(2,937,636)
DELETIONS	(2,937,636)	0	(2,937,636)
RESTRICTED FUND BALANCE-ENDING	0	2,937,636	(2,937,636)

RDX 007601

RCI006767

EDGEWATER MEDICAL CENTER
EXHIBIT C
BALANCE SHEET

	QTR ENDING 06/30/96	QTR ENDING 12/31/95	CHANGE
ASSETS			
CURRENT ASSETS			
CASH & CASH EQUIVALENTS	12,285,789	9,960,652	2,325,137
INVESTMENT	12,138,908	8,209,270	3,929,638
PATIENT ACCOUNTS RECEIVABLE			
LESS ALLOW FOR UNCOLLECTIBLE			
ACCTS OF \$3,185,217 @ 06/30/96	10,363,218	10,909,247	(546,031)
OTHER RECEIVABLES	414,375	348,004	68,371
INVENTORIES	1,075,979	967,919	108,060
PREPAID EXPENSE	377,772	709,801	(332,029)
ASSETS LTD AS TO USE-CURRENT	3,232,514	3,083,507	149,007
TOTAL CURRENT ASSETS	39,888,551	34,186,400	5,722,151
ASSETS LIMITED AS TO USE			
PROJECT FUND	1,696,415	1,746,658	(50,243)
DEBT SERVICE FUND	4,323,155	4,198,381	124,774
SELF INSURANCE FUND	444,580	440,975	3,605
INVESTMENT-TDA	1,081,214	1,081,214	0
TOTAL ASSETS LTD AS TO USE	7,545,364	7,467,228	78,136
PROPERTY PLANT & EQUIP			
LAND	2,000,000	2,000,000	0
BUILDINGS & IMPROVEMENTS	28,394,122	28,393,437	685
EQUIPMENT	4,560,633	4,488,573	72,060
CONSTRUCTION IN PROGRESS	279,008	70,028	208,980
SUB-TOTAL	35,233,763	34,952,038	281,725
LESS ACCUM DEPR	4,730,381	3,405,381	1,325,000
NET PROP PLANT & EQPT	30,503,382	31,546,657	(1,043,275)
INTANGIBLES			
GOODWILL	1,297,314	1,297,314	0
ISSUANCE COST	2,118,736	2,118,736	0
SUB-TOTAL	3,416,050	3,416,050	0
LESS: ACCUM AMORTIZATION	618,095	453,051	165,044
NET INTANGIBLES	2,797,955	2,962,999	(165,044)
TOTAL ASSETS	80,735,252	76,143,284	4,591,968
LIABILITIES & FUND BALANCE			
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	3,298,800	4,090,257	(791,457)
INTEREST PAYABLE (SERIES A NOTES)	1,908,219	1,913,415	(5,196)
INTEREST PAYABLE (SUB NOTES)	0	201,644	(201,644)
CREDIT BALANCE PAYABLE	1,024,773	980,834	43,939
TAXES PAYABLE	927,940	428,003	499,937
ACCURED EXPENSES	354,242	347,143	7,099
PAYROLL & TAXES	1,762,736	1,474,257	288,479
LEASES PAYABLE	295,085	295,085	0
BONDS PAYABLE	300,000	300,000	0
DUE TO 3RD PARTY PAYOR	10,321,688	7,566,788	2,754,880
TOTAL CURRENT LIABILITIES	20,193,441	17,597,404	2,596,037
NON-CURRENT LIABILITIES			
RESERVE FOR SELF INSURANCE	1,960,919	1,797,395	163,524
TAX DEFERRED ANNUITY	1,081,214	1,081,213	1
TOTAL NON-CURRENT LIAB.	3,042,133	2,878,608	163,525
LONG TERM DEBT			
LEASES PAYABLE (LESS CURRENT)	160,910	311,688	(150,778)
BONDS PAYABLE (LESS CURRENT)	40,700,000	40,700,000	0
NOTES PAYABLE (SUBORDINATED)	0	4,000,000	(4,000,000)
TOTAL LONG TERM DEBT	40,860,910	45,011,688	(4,150,778)
FUND BALANCE			
TOTAL LIAB & FUND EQUITY	16,638,768	10,655,584	5,983,184
	80,735,252	76,143,284	4,591,968

RDX 007602

RCI 006768

EDGEWATER MEDICAL CENTER
EXHIBIT C
BALANCE SHEET

01/30/98 03/31/98 CHANGE

01/30/98 03/31/98 CHANGE

RESTRICTED FUND

ASSETS

CASH & CASH EQUIVALENTS

TOTAL ASSETS

LIABILITIES

OTHER

TOTAL LIABILITIES

0 2,937,636 (2,937,636)

0 2,937,636 (2,937,636)

RDX 007603

RCI 006769

EDGEWATER MEDICAL CENTER
EXHIBIT D
CERTIFICATION STATEMENT

I hereby certify that the financial statements, information contained in this Quarterly Report, and Bond Covenant Ratios have been prepared in accordance with generally accepted principles of accounting consistently applied, subject to year-end adjustment.

August 5, 1996

Date

Kenneth W. Huff

By: Kenneth W. Huff
Its Vice President
of Finance

**EDGEWATER MEDICAL CENTER
EXHIBIT E-1
MANAGEMENT REPORT-FINANCE
FISCAL QUARTER ENDING 6/30/96**

STATISTICAL SUMMARY

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Admissions	2,160	2,068	92
Patient Days	13,507	14,235	(728)
Average Length of Stay	6.25	6.88	(.63)
Case Mix Index	1.40	1.40	-0-
Ambulatory Surgery	379	290	89
Emergency Visits	3,343	3,276	67
Outpatient Registrations	2,805	3,381	(576)

GROSS REVENUES

Inpatient revenues fell short of the budget (by \$776,000 or 2.0%), which is attributed to a greater than anticipated seasonal volume decline. Outpatient revenues are approximately \$472,000 or 5.1% below budget for the quarter. Several services, such as the Emergency Room are meeting expected volumes but have a greater percentage of inpatients than budgeted and a lesser percentage of outpatients. Overall, gross revenues are within 2.1% for the quarter and 0.3% for the year to date.

DEDUCTIONS FROM REVENUE

Revenue deductions were approximately \$1,448,000 or 4.7% less than budgeted overall, as an improved collection percentage (62.5% of gross revenues were not collected versus 64.1% budgeted) accounts for \$758,000 of the variance and the balance is attributed to the volume shortfall. The provision for bad debts, however, was greater than budgeted (3.4% of gross revenue versus 3.0% budgeted). On a combined basis for the year to date, the deductions from revenue (contractual allowances and bad debts) vary favorably from the budget by 1.8%.

Charity care provided in this quarter equalled \$374,000.

EDGEWATER MEDICAL CENTER
EXHIBIT E-1
FQE 6/30/96
PAGE TWO

The quarterly review of revenue deduction calculations was completed by an outside reimbursement consultant with no adjustments proposed.

EXPENSES

Total expenses were \$15,460,000 for the quarter and were less than budgeted by \$782,000 or 4.8%. The only significant unfavorable variance is in Bad Debt expense, which relates to the aging of accounts receivable from the higher volume of the first quarter. Favorable variances for the most part are attributed to the volume shortfall.

NET INCOME

Net Operating Income totalled approximately \$2,298,000 or 12.9% of Net Revenues. In comparison to the budget, Net Revenue was greater than budgeted by \$416,000 and Expenses were less than budgeted by \$782,000, accounting for the \$1,198,000 favorable variance in Net Operating Income.

Non Operating Income totalled approximately \$291,000 for the quarter, \$9,000 less than budgeted. In accordance with FASB 124, the change in market value on investments has been recognized.

Debt Service Coverage is 4.42.

BALANCE SHEET

The Days Cash on Hand ratio is at 141.6 with eligible prepaids and at 137.9 days without. Cash and Cash Equivalents totalled \$12,286,000 and Investments totalled \$12,139,000, approximately \$7,665,000 greater than the March 31, 1996 balances.

The Medicare program paid \$2,917,000 as two cost report settlements were made, and paid \$1,510,000 as a lump sum adjustment to the Periodic Interim Payment pertaining to high Medicare utilization in the first quarter.

Net Days in Accounts Receivables are at 52.5.

The Restricted Fund was extinguished as its purpose was met.

The Project Fund balance at June 30, 1996 totalled \$2,596,000, as disbursements of \$159,000 were processed. There are encumbrances of \$205,000 for the Laboratory Information System on order.

**EDGEWATER MEDICAL CENTER
EXHIBIT E-2
MANAGEMENT REPORT - OPERATIONS
FISCAL QUARTER ENDING 6/30/96**

The Average Daily Census was 148.4 for the quarter, 8.0 patients or 5.1% less than budgeted. Admissions for medical/surgical services were approximately 4.0% less than budgeted and had an Average Length of Stay of 7.4 days (versus 7.8 budgeted), which represents a 13 patients per day unfavorable variance. The substance abuse detoxification program had an Average Daily Census of 16.5 days (versus 11.5 budgeted), a 5 patients per day favorable variance.

The articles published in Modern Healthcare that were noted in the March 31, 1996 Quarterly Report have impacted Edgewater, as Officers and Management have had to divert their efforts to first verify that there is no substantiation to the articles' allegations, and then develop and conduct a "damage control" communications campaign.

Admissions dropped from 790 in April to 667 in May, a decrease of 123. Given in the previous year there was an increase of 38 admissions in May over April, it seems reasonable that the articles are a partial explanation for the change.

The audit of the hospital's books and records has also been impacted, as the outside certified public accountants have delayed issuing the report awaiting a final report on internal investigations of the allegations. Management has thoroughly investigated all allegations, with the assistance of outside legal counsel, and has not discovered any evidence to substantiate the claims made by Modern Healthcare. The audit is expected to be released by August 31, 1996.

The three year Internal Medicine Residency program graduated 7 physicians; three have opted to remain in our primary service area and join the Medical Staff.

Full accreditation for three years was granted to Continuing Medical Education by the Illinois State Medical Society.

EDGEWATER MEDICAL CENTER
EXHIBIT E-2
FQE 6/30/96
PAGE TWO

The Northside Operating Co Board of Directors has also engaged an independent firm to conduct a similar review. This firm will report directly to the Board of Directors.

The second article repeated many of the allegations of the first, and reported that the Executive Director of the Chicago Housing Authority (CHA) has indicated that the day to day operations "should be monitored more closely." We have been in contact with Mr. Joseph Shuldiner, Executive Director of CHA, who has informed us that our Centers' operations do not conflict with current CHA policies. He further informed EMC that, as a result of its analysis, CHA would not be forwarding any formal communication to EMC.

Edgewater's position has been and will continue to be full cooperation with all agencies.

Edgewater is one of eight hospitals that operate Healthcare Centers in Chicago Housing Authority projects, and from the inception of the operation in 1992 we are proud of our service to these low income, medically underserved residents.

**EDGEWATER MEDICAL CENTER
EXHIBIT E-3
OTHER REPORTING REQUIREMENTS**

The descriptions of the events requiring prompt notice have been reviewed and, in management's opinion, there is no event requiring Prompt Notice.

RDX 007609

RCI 006775

EDGEWATER MEDICAL CENTER
EXHIBIT F
BOND COVENANT RATIOS
FOR THE QUARTER ENDED
JUNE 30, 1996

DAYS CASH ON HAND

AVERAGE DAILY CASH AVAILABLE FOR THE QUARTER (INCLUDING PREPAID EXPENSES)	20,643,756
AVERAGE DAILY CASH AVAILABLE FOR THE QUARTER	20,103,099

AVERAGE DAILY OPERATING EXPENSES	
TOTAL OPERATING EXPENSES (YTD)	31,069,082
LESS: DEPRECIATION	(1,325,000)
AMORTIZATION	(165,044)
BAD DEBT	(3,052,162)

TOTAL	26,526,876
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	145,752
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AVERAGE DAILY OPERATING EXP	
(TOTAL/DAYS IN PERIOD (182))	

	141.64
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DAYS CASH ON HAND (INCL PPDS)	
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	137.93
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DAYS CASH ON HAND	
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	20.00
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DEBT COVERAGE RATIO

OPERATING REVENUE	
NET PT SERVICE REVENUE	36,671,085
OTHER REVENUE	381,181
LESS: INT REV ON RSTR FUND	(258,598)
TOTAL	36,793,668

OPERATING EXPENSE	
TOTAL EXPENSES	31,069,082
LESS: INTEREST	(1,912,445)
AMORTIZATION	(165,044)
DEPRECIATION	(1,325,000)
TOTAL	27,666,593

INCOME AVAILABLE FOR DEBT SERVICE	9,127,075
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DEBT SERVICE REQUIREMENT	2,063,223
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HISTORICAL DEBT SERVICE COVERAGE RATIO	4.42
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REQUIRED DEBT SERVICE COVERAGE RATIO (BOND DOCUMENTS)	1.20
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DEBT SERVICE REQUIREMENT

INTEREST	1,912,445
PRIN PMTS ON CAP LEASES	150,778
TOTAL	2,063,223

Exhibit

38

TO: Daniel F. Finnane

FROM: Ken Huff *KH*

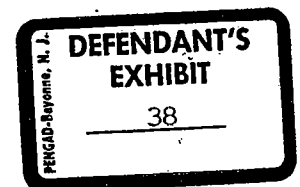
DATE: Sept. 27, 1995

VIA FAX: (415)627-0766

The statistics report is enclosed for your review.

Please advise of any comments or questions.

cc: Peter Rogan ✓
Henry Zeisel



RDX 007462

RCI 006619

EDGEWATER MEDICAL CENTER
MONTHLY STATISTICS

MONTH: Sep-95

DATE	CENSUS	TOTAL ADMITS	DETOX ADMITS	O/P SURGERIES	ER VISITS	O/P VISITS	OBSERVATH VISITS	DAILY REVENUE	GROSS A/R	A/R DAYS	DEPOSITS	CASH BALANCE	DAYS CASH ON HAND
09/01/95	122	14	2	7	43	39	2	445,937	24,118,911	45	217,554	17,221,451	119
09/02/95	110	9	2	0	44	5	0	301,050	24,419,961	45	0	17,221,451	119
09/03/95	109	12	1	0	50	1	3	276,970	24,696,931	46	0	17,221,451	119
09/04/95	114	9	0	0	55	3	4	312,735	23,917,626	44	0	17,221,451	119
09/05/95	124	28	2	16	30	83	4	558,889	24,868,772	46	92,389	16,497,140	114
09/06/95	149	39	6	9	43	73	4	551,730	24,052,775	45	75,608	16,572,720	114
09/07/95	162	27	4	6	31	37	7	588,090	24,227,187	45	54,523	16,626,765	115
09/08/95	152	24	2	6	35	62	9	583,703	24,325,120	45	40,008	16,666,184	115
09/09/95	148	14	6	0	30	8	0	383,314	24,708,433	46	0	16,666,184	115
09/10/95	147	8	0	0	29	0	2	293,433	25,001,867	47	0	16,666,184	115
09/11/95	155	30	6	6	41	56	5	612,987	24,762,500	46	1,054,756	16,868,411	116
09/12/95	164	35	4	13	31	84	3	626,121	23,855,735	44	51,202	17,771,811	123
09/13/95	160	21	4	8	30	80	6	518,613	24,024,990	45	77,366	17,160,229	118
09/14/95	160	27	1	9	33	77	6	657,786	24,324,125	45	326,401	16,967,638	117
09/15/95	159	18	4	9	38	59	5	640,237	24,290,650	45	379,169	17,360,340	120
09/16/95	145	14	1	0	31	2	0	318,378	24,609,028	46	0	17,360,340	120
09/17/95	151	10	0	0	30	2	0	309,262	24,918,290	46	0	17,360,340	120
09/18/95	150	32	4	15	32	44	8	560,951	24,990,439	47	133,528	17,493,751	121
09/19/95	146	17	5	9	37	80	5	737,254	24,918,347	46	300,307	17,794,059	123
09/20/95	152	24	3	5	29	78	3	615,011	24,466,676	45	121,747	17,915,719	124
09/21/95	147	20	3	12	42	75	1	606,988	24,314,889	45	91,480	17,472,006	121
09/22/95	131	19	5	5	27	51	6	513,300	24,029,771	45	268,906	17,740,912	122
09/23/95	127	14	3	0	39	8	1	320,208	24,349,899	45	0	17,740,912	122
09/24/95													
09/25/95													
09/26/95													
09/27/95													
09/28/95													
09/29/95													
09/30/95													
TOTAL	3,283	465	68	135	830	1,007	84	11,332,946			3,284,944		
AVG	143	20	3	6	36	44	4	492,737	24,443,170	45	142,824	17,199,454	119
AVG BUDGET	155	20	0	9	36			571,150			189,730	6,524,775	45
BUDGET	4,645	601	0	276	1,088			17,134,499			5,691,900		
PRIOR MTH	4,638	718	129	230	1,303	1,603	104	16,228,712			10,618,365		
PR MTH AVG	150	23	4	7	42	52	3	523,507	29,039,583	53	342,528	14,164,912	97

RDX 007463

RCI 006620

EDGEWATER MEDICAL CENTER
MONTHLY STATISTICS

MONTH: Sep-95

DATE	CENSUS	TOTAL ADMITTS	DETOK ADMITTS	O/P SURGERIES	RR VISITS	O/P VISITS	OBSERVATH VISITS	DAILY REVENUE	GROSS A/R	A/R DAYS	DEPOSITS	CASH BALANCE	DAYS CASH ON HAND
09/01/95	122	14	2	7	43	39	2	445,937	24,118,911	45	217,554	17,221,451	119
09/02/95	110	9	2	0	44	5	0	301,050	24,419,961	45	0	17,221,451	119
09/03/95	109	12	1	0	50	1	3	276,970	24,696,931	46	0	17,221,451	119
09/04/95	114	9	0	0	55	3	4	312,735	23,917,626	44	0	17,221,451	119
09/05/95	124	28	2	16	30	83	4	558,889	24,868,772	46	92,389	16,497,140	114
09/06/95	148	39	6	9	43	73	4	551,730	24,052,775	45	75,608	16,572,720	114
09/07/95	162	27	4	6	31	37	7	588,090	24,227,187	45	54,523	16,626,765	115
09/08/95	152	24	2	6	35	62	9	583,703	24,325,120	45	40,008	16,666,184	115
09/09/95	148	14	6	0	30	8	0	383,314	24,708,433	46	0	16,666,184	115
09/10/95	147	8	0	0	29	0	2	293,433	25,001,867	47	0	16,666,184	115
09/11/95	155	30	6	6	41	56	5	612,987	24,762,500	46	1,054,756	16,868,411	116
09/12/95	164	35	4	13	31	84	3	626,121	23,855,735	44	51,202	17,771,811	123
09/13/95	160	21	4	8	30	80	6	518,613	24,024,990	45	77,366	17,160,229	118
09/14/95	160	27	1	9	33	77	6	657,786	24,324,125	45	326,401	16,967,638	117
09/15/95	159	18	4	9	38	59	5	640,237	24,290,650	45	379,169	17,360,340	120
09/16/95	145	14	1	0	31	2	0	318,378	24,609,028	46	0	17,360,340	120
09/17/95	151	10	0	0	30	2	0	309,262	24,918,290	46	0	17,360,340	120
09/18/95	150	32	4	15	32	44	8	560,951	24,990,439	47	133,528	17,493,751	121
09/19/95	146	17	5	9	37	80	5	737,254	24,918,347	46	300,307	17,794,059	123
09/20/95	152	24	3	5	29	78	3	615,011	24,466,676	45	121,747	17,915,719	124
09/21/95	147	20	3	12	42	75	1	606,988	24,314,889	45	91,480	17,472,006	121
09/22/95	131	19	5	5	27	51	6	513,300	24,029,771	45	268,906	17,740,912	122
09/23/95	127	14	3	0	39	8	1	320,208	24,349,899	45	0	17,740,912	122
09/24/95	134	10	2	0	30	0	4	327,925	24,706,495	46	0	17,740,912	122
09/25/95	142	28	7	7	39	58	4	638,967	24,808,993	46	1,271,087	18,191,763	125
09/26/95	150	28	3	8	31	76	7	673,959	24,222,118	45	53,167	19,065,080	131
09/27/95	146	20	3	12	39	50	0	539,909	24,306,662	45	48,243	19,115,902	132
09/28/95	154	27	3	11	35	68	4	650,675	23,949,900	45	17,799	17,877,207	123
09/29/95	147	19	3	13	30	57	2	643,538	23,780,583	44	440,319	18,490,774	128
09/30/95	152	22	2	0	42	3	3	348,623	24,129,206	45	0	18,490,774	128
TOTAL	4,308	619	91	186	1,076	1,319	108	15,156,543			5,115,560		
AVG	144	21	3	6	36	44	4	505,218	24,403,229	45	170,519	17,485,329	121
AVG BUDGET	155	20	0	9	36			571,150			189,730	6,524,775	45
BUDGET	4,645	601	0	276	1,088			17,134,499			5,691,900		
PRIOR MTH	4,638	718	129	230	1,303	1,603	104	16,228,712			10,618,365		
PR MTH AVG	150	23	4	7	42	52	3	523,507	29,039,583	53	342,528	14,164,912	97

RDX 007465

RCI 006622

Exhibit

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NORTHSIDE OPERATING COMPANY
BOARD OF DIRECTORS MEETING
PARK HYATT SAN FRANCISCO
SAN FRANCISCO, CALIFORNIA
JUNE 16, 1995
2:00 PM (PST)

MINUTES

In Attendance: Macon Brewer
George Chapas
William Fruland

Others In Attendance: Dan Finnane - Primus Management, Inc.
Scott Gross - Primus Management, Inc.
David Miller - Braddock Management, LP
Peter Rogan - Braddock Management, LP

In Attendance Via Telephone: Karen Hyneman - Primus Management, Inc.
Michael Olsen - Primus Management, Inc.

I. CALL TO ORDER

Chairman Dr. Bert Rosenthal was unable to attend the meeting due to weather related airport delays in Los Angeles. On Dr. Rosenthal's behalf, William Fruland, Secretary, acted as Chairman and called the meeting to order at 2:05 p.m. (PST).

II. OLD BUSINESS

A. Approval of Prior Board Meeting Minutes of February 13, 1995

All attendees noted that they had reviewed the Minutes and no exceptions were found. Mr. Fruland called for a motion to accept and approve the minutes as presented.

MSC

"that the minutes of the Board of Directors Meeting of February 13, 1995, be accepted and approved."

B. Discuss and Approve Actions and Expenditures Required to Resolve Issues Noted in IDPH Report

Mr. Rogan summarized developments since the last Board meeting regarding correction of deficiencies cited under Physical Environment in the Report issued by the Illinois Department of Public Health (IDPH). At the prior meeting, Mr. Rogan had indicated one option had been developed that had an estimated cost of \$1.2 Million to \$1.5 Million and a 2.5 year completion

DEFENDANT'S
EXHIBIT

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EMC 002059

Northside Operating Company
June 16, 1995
Page 2

period, and a second approach that would be less costly and completed in 1.5 years. He noted that an architect has been retained to assist in the development of a construction plan, and it is now estimated that the total capital cost to correct the deficiencies will be \$.65 Million. Mr. Rogan asked the Board to authorize him to approve these expenditures and move forward with the construction plan. After a lengthy discussion, Mr. Fruland called for a motion to approve these expenditures. (Note: Further discussion of the 1995-96 Capital Expenditure Plan is included under Section V. New Business, Subsection A).

MSC

"that Mr. Rogan is authorized to approve the capital expenditures necessary to implement a plan to correct the deficiencies cited in the Illinois Department of Public Health Inspection Report."

III. FACILITY REPORTS

A. Advisory Board Minutes

Mr. Rogan briefly summarized the major topics of these meetings. Each Board member confirmed that they had received as part of the Board packets the Advisory Board Minutes for the meetings that had taken place on January 25, 1995; April 5, 1995; and May 24, 1995. Each member noted that they had reviewed these Minutes and that there were no questions for Mr. Rogan. Mr. Fruland then called for a motion to accept and approve the Minutes as presented.

MSC

"that the January 25, 1995; April 5, 1995; and May 24, 1995 Advisory Board Minutes be accepted and approved as presented."

B. Medical Staff Meeting Minutes

Mr. Rogan again provided a brief summary of the Minutes from January, February, March and April, 1995, including all credentialing actions. There were no questions from the Board regarding these minutes. Mr. Fruland called for a motion to accept the Minutes as presented.

MSC

"that the January, February, March and April, 1995, Medical Staff Meeting Minutes be accepted and approved as presented."

Northside Operating Company
June 16, 1995
Page 3

C. Financial Reports

Mr. Rogan gave a brief presentation of the April, 1995, and Year-To-Date April, 1995, Financial Reports. There were no questions from the Board regarding these reports. Mr. Fruland called for a motion to accept the report as presented.

MSC

"that the April, 1995, and Year-To-Date April, 1995, Financial Reports be accepted and approved as presented."

IV. BRADDOCK MANAGEMENT, L.P. REPORT

A. Update of New Chiropractic Program and Affiliation with National College of Chiropractic

Mr. Rogan reported that the first students of the College have rotated through Edgewater under the affiliation program approved at the last Board Meeting. Mr. Rogan mentioned that the affiliation reflects the points requested by Dr. Rosenthal at the February meeting. The program has had no significant impact on business as yet, but the outlook for the success of the affiliation remains positive. Mr. Finnane asked if an actual affiliation agreement had been executed and Mr. Rogan responded that this has not yet occurred. Mr. Rogan said that he would provide each member of the Board with a copy of the proposed agreement for their review prior to the next Board Meeting in September, 1995, at which time the agreement would be discussed and acted upon.

B. Update on Negotiations with Blue Cross

Mr. Rogan reported that Blue Cross withdrew its demand that the contract with Edgewater be renegotiated. Blue Cross offered the same type of contract to Edgewater as is currently held with other hospitals. The term of the new contract is one year.

MSC

"that the Blue Cross contract be accepted and approved."

C. Update on Line of Credit Financing

Mr. Rogan reported that discussions are continuing with LaSalle National Bank with respect to establishing a Line of Credit. He also summarized a series of meetings he attended in conjunction with Permian Health Care, Inc. These meetings were held with several potential lenders to educate them on

Northside Operating Company
June 16, 1995
Page 4

the history of Permian and its member healthcare facilities and establish a discourse that is intended to develop a master financing package. Mr. Rogan told the Board that he would continue to keep them informed of progress in this area.

D. Update on Status of 26th Street Satellite Clinic

Mr. Rogan reported that this project had not achieved the volume anticipated and that it was being closed down. The total start-up cost and operational loss will amount to less than \$15,000 once the operation is completely shut down.

E. Update on Inpatient Detox Program

Mr. Rogan summarized the progress to date of this program, approved at the last meeting. Admissions have grown from 50 in February to 75 in March, 112 in April and 128 in May. June to date appears to be running below May levels, but is still well above the monthly break-even level.

F. Impact of Medicaid Program - State of Illinois Budget

Mr. Rogan reported that the Illinois State Legislature has devised a settlement to the Medicaid budget difficulties. The impact to Edgewater will be \$100,000 favorable as the reduction in public aid payments will be more than offset by the decrease in tax payments.

G. The Fiscal Year 1994 Financial Audit by Ernst & Young, LLP, and Management Letter

Each member of the Board had been provided with a copy of the 1994 audited Financial Statements and accompanying opinion of Ernst & Young, as well as the Management Letter. There being no questions regarding either of these items, Mr. Fruland called for a motion to accept Ernst & Young's reports.

MSC

"that the 1994 Financial Statements and Report of the Independent Auditor, Ernst & Young, and the accompanying Management Letter, be accepted and approved as issued."

H. Master Trustee Report - 1st Quarter 1995

Each member of the Board had been provided with a copy of the Master Trustee Report for the 1st Quarter of 1995 in their Board packet. There being no questions regarding this report, Mr. Fruland called for a motion to accept this Report as issued.

Northside Operating Company
June 16, 1995
Page 5

MSC

"that the 1st Quarter 1995 Master Trustee Report be approved and accepted as issued."

I. Risk Management - Reorganization

Mr. Rogan reported that the resignation of an employee had offered the opportunity to divide Risk Management responsibilities in a more effective manner. Henceforth, Nancy Bryson will be responsible for this area as it relates to patient activity and Mike Naiman will oversee risk management as it relates to liabilities to third parties.

J. Update of IDPH/Managed Care Organization

Mr. Rogan reported that efforts by the State of Illinois to develop a managed care approach have been stalled as the State has not received the waivers that would be required from the federal Government. He believes the soonest any impact might be felt from this would be mid-1996. Edgewater is continuing conversations with existing HMO's who have current managed care arrangements with Illinois for public aid patients. Ms. Hyneman has provided Edgewater with a copy of a California full capitation contract as an example of the appropriate structure.

K. Joint Radiation Therapy Venture with Ravenswood

Mr. Rogan reported that there has been no substantive progress on this effort as Ravenswood's attentions have been diverted by other activities.

L. Trading of Northside Operating Company Bonds on the Secondary Market

Mr. Finnane reported that it has been confirmed that \$.5 Million of Northside bonds were sold to outsiders in denominations less than the required \$100,000. While it is not yet clear exactly how this happened, Mr. Olsen explained that it appears that the dissolution of the Muni Group by First Boston, Underwriter of the Northside issue, may have resulted in the inadvertent sale of a retained block of bonds. Mr. Olsen is in contact with counsel at First Boston and assured the Board that he will keep all members informed of developments in this area as it appears that such a sale would be a violation of securities regulations. Mr. Olsen expects cooperation from First Boston. In the meantime, he counseled all Board members and attendees that there is no requirement

Northside Operating Company
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to provide any information to anyone who is holding bonds, as a result of this error.

There being no further discussion regarding any of the Braddock Management, L.P., reports, Mr. Fruland called for a motion to accept these reports.

MSC

"that the Braddock Management, L.P., report be approved."

V. NEW BUSINESS

A. Review and Approval of 1995 Capital Budget

Mr. Rogan reviewed the proposed FY 1995 Capital Expenditures Budget, a copy of which was included in the packet given to Board members. The original proposal called for \$.9 Million to be spent and the revised budget added \$1.34 Million for a total of \$2.24 Million. Of this total, \$1.7 Million will be spent in 1995 with the balance to be spent in 1996. The \$1.34 Million of additional proposed expenditures includes the \$.65 Million to correct IDPH Report deficiencies discussed earlier, and an additional \$.34 Million to reconstruct the main entrance to the Medical Center. Mr. Rogan said that the latter will be undertaken now that the cost of correcting the IDPH deficiencies is known. Also included is \$.15 Million for Surgical Services (see further discussion below in Subsection F.) and \$.2 Million to add 17 beds on the 7th Floor as part of the expansion of the detoxification program. There being no further discussion, Mr. Fruland called for a motion to approve the FY 1995 Capital Expenditures Budget.

MSC

"that the FY 1995 Capital Expenditures Budget be approved as submitted."

B. Review and Approve New Physician and Vendor Contracts

Physician Teaching Contracts

Wilbur Britt, M.D.
Michael Fox, D.P.M.
Satyendra K. Humad, M.D.
Yako Lebar, M.D.
Rogelio Maynulet, M.D.
Mario Oliveros, M.D.
Antonio Ramos, M.D.
Muhammed Saudye, M.D.
Dusan Zivkovic
Chicago Neurological Surgeons, Ltd.

Ramon Castro, M.D.
David Hiltzik, M.D.
John Kane, D.P.M.
James Luvison, D.P.M.
Fernando Ojea, M.D.
Nirmal Patodia, M.D.
Gonzalo Ruiz, M.D.
Richard Weiss, M.D.

Northside Operating Company
June 16, 1995
Page 7

Vendor Contracts

Baxter Healthcare Corporation
Mitsubishi International Corporation
Philips Medical Systems

The Board reviewed all of the contracts presented. There were no objections to any of those contracts noted above. Mr. Fruland called for a motion to accept and approve the contracts as presented.

MSC

"that the contracts presented be accepted and approved."

C. Review and Approve - Financing Program

Mr. Olsen reviewed a program of the Illinois Health Facilities Authority wherein it is possible for Northside to borrow funds for capital expenditures at an attractive interest rate of 4 to 4.5% per annum. He pointed out that this rate was significantly lower than alternate forms of financing, and proposed that the Board approve borrowing up to \$6 Million for capital expenditures 1996 - 1998. There being no further discussion, Mr. Fruland called for a motion to approve the resolution offered by Mr. Olsen.

MSC

"that the Corporation be authorized to borrow up to \$6 Million from the IHFA to fund capital expenditures for the years 1996, 1997 and 1998, and that the President and the Secretary of the Corporation shall be authorized to execute such documents as are necessary to complete these borrowings."

D. Review and Approve Change of Braddock Management, L.P. Management Agreement

This First Amendment to the Hospital Management Contract redefines the limitations to the annual increase of the Management Fees paid to Braddock Management. This amendment is a result of the request by Chapman and Cutler, Bond Counsel, to change the Management Agreement between Northside Operating Company and Braddock Management, L.P. As a result, Braddock Management, L.P., and Bond Holders agreed to implement a First Amendment to the Braddock Management, L.P., management contract that met the business terms and the technical terms requested by Chapman and Cutler.

This First Amendment to the management contract must be approved by the Bond Holders.

Northside Operating Company
June 16, 1995
Page 8

MSC

"that the First Amendment To Hospital Management Agreement be accepted and approved as submitted, effective January 1, 1995."

E. Approve Re-opening of 7 West - 17 Medical/Surgical Beds

This item, having been previously discussed with the FY 1995 Capital Expenditures Budget, had no further discussion and Mr. Fruland called for a motion authorizing this action.

MSC

"that the plan to re-open the Seventh Floor - West and provide for 17 new medical/surgical beds be accepted and approved as submitted."

F. Consultant Report Surgical Services - Phase II

Mr. Rogan reported that this phase of the project was complete and he requested authorization to retain Higman Associates for 16-18 weeks, at a total cost of \$80,000, to assist in the implementation of the recommendations. Mr. Rogan further requested authorization to proceed with the overall implementation of these recommendations. There being no further discussion, Mr. Fruland called for a motion to approve the authorization requested by Mr. Rogan.

MSC

"that the findings of the surgical services report be accepted and authorization provided to take the actions necessary to implement recommendations contained in that report, including the expenditure of \$80,000 to retain Higman Associates to assist in the implementation effort."

G. Review and Approve Unum as New Manager for Employees Self-Directed 403B and Long Term Disability Insurance

Mr. Rogan reported that this change would result in an 18% reduction in cost to administer the program. Mr. Fruland requested a motion that this change be approved.

MSC

"that Unum be named as the Manager of the Edgewater Medical Center Employee's 403B and Long Term Disability Plan."

Northside Operating Company
June 16, 1995
Page 9

H. Approve Establishment of Additional Chicago Housing Authority Clinic - Larrabee

Mr. Rogan reported that CHA is very interested in establishing this clinic and is willing to contribute, at no cost to Edgewater, the space and equipment necessary to operate the clinic. He went on to explain that this arrangement would facilitate servicing the needs of patients in CHA facilities. There being no further discussion, Mr. Fruland called for a motion to approve the establishment of such a clinic.

MSC

"that the establishment of the Larrabee clinic within Chicago Housing Authority property be approved."

I. Approval of General Counsel and Assistant Secretary

It was proposed that Michael Olsen be named General Counsel of Northside Operating Company. Mr. Finnane added that he should also be named Assistant Secretary so as to be covered under the Corporation's Directors and Officers Insurance Policy. After a general discussion ended, Mr. Fruland called for a motion approving the appointment of Mr. Olsen to the positions indicated.

MSC

"that Michael Olsen be named General Counsel and Assistant Secretary of Northside Operating Company."

J. Approve Mission Statement of Edgewater Medical Center

Each Board member had been supplied with a copy of the proposed Mission in their Board packet. There being no objection to the Mission as stated, Mr. Fruland requested a motion that it be accepted as presented.

MSC

"that the Mission Statement of Edgewater Medical Center be accepted and approved as submitted."

K. Review and Approve Resolution Regarding the Community Service Plan and Report for EMC

Mr. Olsen explained the requirement and purpose of "community service plans" in the State of California, and how it appears these requirements will be adopted by the Federal or State of

Northside Operating Company
June 16, 1995
Page 10

Illinois governments. It was noted that this plan is instrumental in securing an exemption from real estate and/or sales taxes. As such, it would be prudent to commence with the preparation of such a plan for Edgewater. Following a general discussion, Mr. Fruland called for a motion to adopt a resolution to approve the development of a plan.

MSC

"that Permian Health Care, Inc. and, to the extent necessary, Braddock Management, L.P., coordinate the preparation, development and submission of a Community Service Plan to this Board for its review and approval."

L. Northside Operating Company Creation of a Hospital Based Home Health Care Agency

Mr. Rogan explained that the creation of such an Agency is being investigated. Medicare cost reimbursement procedures allow an allocation of hospital overhead to such an agency, effectively increasing total cost recovery. Edgewater Medical Center currently refers its patients to two different private agencies. Mr. Rogan asked the Board to be allowed to pursue this opportunity. The discussion having been completed, Mr. Fruland asked for a motion granting Mr. Rogan such authority.

MSC

"that Braddock Management, L.P., is hereby authorized and directed for, and on behalf of, the Northside Operating Company to do and perform all acts, cause any contracts to be entered into and to cause such payments to be made as may be necessary and proper to implement the establishment of a home healthcare program."

M. Educational Program

Continuous Quality Improvement and Performance Improvement Activities

Mr. Gross lead a discussion on the various approaches being used in the health care industry on continuous quality and performance improvement. A good deal of discussion ensued concerning which approaches would be most suited to Edgewater Medical Center.

The Board asked that Braddock Management, L.P., in its future reports, keep the Board current on these developments.

Northside Operating Company
June 16, 1995
Page 11

VI. NEXT MEETING/ADJOURNMENT

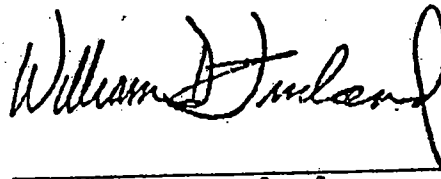
It was noted that the next meeting would take place in September, 1995, at a place, date and time to be specified. With nothing further to discuss, Mr. Fruland adjourned the meeting at 3:20 p.m. (PST).

Approved:



Bert Rosenthal, M.D.
Chairman

Attested:



William D. Fruland
Secretary

Date:

Oct 10 1995

Exhibit

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**NORTHSIDE OPERATING CO.
BOARD OF DIRECTORS MEETING
TELEPHONIC CONFERENCE
October 10, 1995
3:00 PM (PST)**

MINUTES

In Attendance: Bert Rosenthal, M.D.
Stina Hans
Macon Brewer
George Chapas
William Fruland

Others In Attendance: Dan Finnane - Primus Management, Inc.
Scott Gross - Primus Management, Inc.
Karen Hyneman - Primus Management, Inc.
Mike Olsen - Northside Operating Co.
Peter Rogan - Braddock Management, L.P.

I. CALL TO ORDER

The meeting was called to order by Dr. Rosenthal at 3:02 PM (PST).

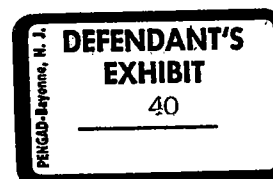
II. OLD BUSINESS

A. Approval of Prior Board Meeting Minutes of June 16, 1995

With the exception of Mr. Rogan, all attendees noted that they had reviewed the Minutes and no exceptions were found. Mr. Rogan asked that a change be made under IV. Braddock Management, L.P. Report, F. Impact of Medicaid Program - State of Illinois Budget. Mr. Rogan indicated that his report at the meeting had indicated an expected favorable impact to Edgewater of \$ 100,000. As it now appears the new program will result in the loss of Medical Education funding of about \$ 200,000, resulting in an unfavorable impact of \$ 100,000. Dr. Rosenthal called for a motion to accept and approve the minutes as presented, and amended to reflect Mr. Rogan's update.

MSC

"that the prior Board of Directors Meeting minutes as amended be accepted and approved."



EMC 002282

Northside Operating Company
October 10, 1995
Page 2

B. Illinois Department of Public Health Compliance Status

Mr. Rogan reported that the Facility Plan is in compliance with the requirements to correct deficiencies cited under Physical Environment in the Report issued by the Illinois Department of Public Health (IDPH). The plan to implement these corrections is progressing on schedule.

III. FACILITY REPORTS

A. Advisory Board Minutes

Mr. Rogan briefly summarized the major topics of these meetings. Each Board member confirmed that they had received as part of their Board packets the Advisory Board packet containing the Minutes for the meeting that had taken place on August 2, 1995. Each member noted that they had reviewed these Minutes and that there were no questions for Mr. Rogan. Dr. Rosenthal then called for a motion to accept and approve the Minutes as presented.

MSC

"that the August 2, 1995 Advisory Board Minutes be accepted and approved as presented."

B. Medical Staff Meeting Minutes

Mr. Rogan again provided a brief summary of the Minutes from May, June, July, August and September, 1995, including all credentialing actions. After questions from the Board regarding these minutes. Dr. Rosenthal called for a motion to accept the Minutes as presented.

MSC

"that the May, June, July, August and September, 1995, Medical Staff Meeting Minutes be accepted and approved as presented."

C. Financial Reports

Mr. Rogan gave a brief summary of the August, 1995, and Year-To-Date August, 1995, Financial Reports. In addition, Mr. Rogan estimated September's operating income about \$ 575,000, bringing the year-to-date total to approximately \$ 7.2 million. After no questions from the Board, Dr. Rosenthal called for a motion to accept the reports as presented.

Northside Operating Company
October 10, 1995
Page 3

MSC

"that the August, 1995, and Year-To-Date August, 1995, Financial Reports be accepted and approved as presented."

IV. BRADDOCK MANAGEMENT, L.P. REPORT

A. Update on Negotiations with Blue Cross

Mr. Rogan reported that Blue Cross is continuing its process of renegotiating contracts with Chicago area hospitals. Edgewater is currently number 11 on the Blue Cross list.

B. Impact of Medicaid Program - State of Illinois Budget

Mr. Rogan reported that the State of Illinois is still waiting for the waiver required to implement a Managed Care Program. The expectation is that no substantive action will be taken until changes have been finalized at the Federal level and a Block Grant Program is implemented.

C. Draft of Affiliation Agreement with National College of Chiropractic

Mr. Rogan reported that both Mike Olsen and the National College of Chiropractic have reviewed and commented on a first draft agreement. Mike Olsen is continuing to work with the College to produce a final version.

D. Update on Line of Credit Financing

Mr. Rogan reported that discussions are continuing with Vista Hospital Systems, Inc. to develop a total package line of credit. A number of issues will be clarified over the next month, after which additional progress is expected.

Northside Operating Company
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E. Master Trustee Report - 2nd Quarter 1995

Each member of the Board had been provided with a copy of the Master Trustee Report for the 2nd Quarter of 1995 in their Board packet. After questions regarding this report, Dr. Rosenthal called for a motion to accept this Report as issued.

MSC

"that the 2nd Quarter 1995 Master Trustee Report be approved and accepted as issued."

F. Trading of Northside Operating Company Bonds on the Secondary Market

Mr. Olsen reported that the law firm of Foley and Lardner, as well as the Illinois Health Finance Authority have been contacted and that Northside is working with them to determine the appropriate course of action.

G. Update on Reopening of 7 West

Mr. Rogan reported that demolition has been completed and remodeling is underway.

H. Update on Chicago Housing Authority Clinic - Larrabee

Mr. Rogan reported that the physician in charge of the Clinic resigned, and a replacement began yesterday.

I. Update on Hospital Based Home Health Care Agency

Mr. Rogan reported that negotiations are underway with a target agency. The objective is to have the hospital based agency in operation on January 1, 1996.

J. Update on Property Tax Exemption

Mr. Rogan reported that application has been made to Cook County and no determination has been made yet. 1993 applications are still being worked on, so it is expected it will be at least 1996 before Northside's application will be reviewed.

Northside Operating Company
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Page 5

K. Update on JCAHO Survey

Mr. Rogan reported that the survey was completed in September and the results were favorable. A copy of the Exit Conference Report was included in the Board Meeting packets. Final comments regarding Infection Control are being held awaiting the receipt of a written report from JCAHO.

L. Response to Ernst & Young's Management Letter

Mr. Rogan reported that a response has been submitted and a copy will be forwarded to each Board Member.

M. IDPA Medicaid Tax Correction

Mr. Rogan reported that it had been discovered that IDPA had made a mistake in calculating the assessment to Edgewater Medical Center. The additional amount due has been sent to IDPA along with explanatory material.

N. 1996 Preliminary Operating Budget

Mr. Rogan reported that on a preliminary basis, operating income of \$6.5 million is expected for 1996. This projection assumes no new programs, and reflects an increase of 3% for compensation and related expenses, and 2% for all other costs. The full budget for 1996 will be presented to the Board for approval at its next meeting.

There being no further discussion regarding any of the Braddock Management, L.P. reports, Dr. Rosenthal called for a motion to accept these reports.

MSC

"that the Braddock Management, L.P., report be approved."

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October 10, 1995
Page 6

V. NEW BUSINESS

- A. Authorization for Braddock Management, LP to pay, on Northside Operating Co.'s behalf, Primus Management, Inc. for the services of Michael E. Olsen in his capacity as General Counsel for Northside

The proposed amount is \$ 37,500 per annum, to be paid by Braddock and passed through to Northside. After discussion with respect to the proposal, Dr. Rosenthal requested a motion to approve the proposal.

MSC

"that Braddock Management, LP is authorized to pay to Primus Management, Inc. on behalf of Northside Operating Co., \$ 37,500 for the services of Michael E. Olsen as Corporate Counsel for Northside Operating Co.."

- B. Review and Approve New Physician and Vendor Contracts

Physician Contracts

Mir Akif Ali, M.D.	Teaching
Emo Bonaminio, D.P.M.	Teaching
Jesus Rene Dadvias, M.D.	Teaching
Kevin Gavin, D.P.M.	Teaching
Will Gee, M.D.	Physician Services
Peter Seifert, M.D..	Teaching

Vendor Contracts

ServiceMaster	Contract Services
---------------	-------------------

Other

Neighborhood Health Care Foundation	Managed Care
-------------------------------------	--------------

Other

University of Illinois	Medical Education Affiliation
- Emergency Medicine	
- Surgery	
- Pathology	

EMC-002287

Northside Operating Company
October 10, 1995
Page 7

The Board reviewed all of the contracts presented. There were no objections to any of those contracts noted above. Dr. Rosenthal called for a motion to accept and approve the contracts as presented.

MSC

"that the contracts presented be accepted and approved."

C. Review and Approve Payment of Subordinated Debt on January 1, 1996

Mr. Gross reviewed the status of the subordinated debt, including the fact that it carries interest at 10%, costing Northside \$ 400,000 per year. Mr. Gross proposed that this debt be paid off, assuming the required covenants and conditions are met as of December 31, 1995. Mr. Gross indicated that an opinion of counsel would be obtained to assure these requirements had been met. A number of comments were made that given the Hospital's cash balances and debt coverage, this would be a prudent business action. There being no further discussion, Dr. Rosenthal called for a motion to accept Mr. Gross's proposal.

MSC

"that the Corporation be authorized to repay the subordinated debt upon appropriate opinion of counsel that all the required covenants had been met"

D. Authorization to Obtain Fair Market Valuation of Leased Property

Given the space constraints, Mr. Gross proposed such a valuation be obtained to determine if it made economical sense to attempt to lease and/or purchase all of the available space in adjacent buildings on campus, or seek alternate locations off campus. There being no objections, Dr. Rosenthal called for a motion to authorize Mr. Gross's request.

MSC

"that Northside Operating Co. obtain a fair market value appraisal for determination of the rental and fair market value of the property located in adjacent campus buildings in anticipation of entering into a long term lease for those properties."

EMC 002288

Northside Operating Company
October 10, 1995
Page 8

E. Review and Approve Northside Operating Co. to Join Vista Hospital System, Inc. Workers Compensation Captive

Ms. Hyneman discussed the cost savings available from this alliance. There being no objections, Dr. Rosenthal called for a motion authorizing this action.

MSC

"that the Northside Operating Co. be authorized to join the Vista Hospital System, Inc. captive Workers Compensation Insurance Program."

F. Authorize Midwestern University Teaching Affiliation

Mr. Rogan reported that such an affiliation would present an alternative to the current arrangement with the University of Illinois, and would provide options not available with a single affiliation. There being no objections, Dr. Rosenthal called for a motion to approve the authorization requested by Mr. Rogan,

MSC

"that Braddock Management, LP be authorized to enter into a teaching affiliation agreement with Midwestern University on behalf of Northside Operating Company."

G. Donated Property - Designated Donation

Mr. Gross reported that Mr. Rogan has indicated a potential desire to donate to Northside Operating Company some property. Mr. Gross further explained that it is necessary that such a donation be "designated" to avoid Northside having to provide these additional assets as collateral under the bond indenture. There being no objections, Dr. Rosenthal called for a motion approving the designation.

MSC

"that Northside Operating Company designate any land and/or buildings currently owned by Mr. Rogan and donated to Northside Operating Co. as a designated donation."

Northside Operating Company
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Page 9

H. Review and Approve Edgewater Medical Center Strategic Plan

Mr. Rogan briefly discussed the Plan, a copy of which was included in the packets distributed to the Board members. The Board asked that Mr. Rogan compliment the preparers on the comprehensive job they had done. There being no further discussion, Dr. Rosenthal called for a motion to accept the Plan.

MSC

"that the Strategic Plan of Edgewater Medical Center be accepted as submitted."

I. Review and Approve Contracted Services Report

Mr. Rogan reviewed the Report, a copy of which had been furnished in the Board members' packets. There being no further discussion, Dr. Rosenthal called for a motion accepting the Report.

MSC

"that the Contracted Services Report be accepted as submitted."

J. Authorize the development of the Advisory Board Role and Responsibility

Mr. Rogan discussed the possibility of being able to more fully utilize the available expertise by developing a document outlining the specific objectives of the Group. The Board agreed that this would be a worthy effort, and it was suggested that the Leadership Document of Arroyo Hospital be provided to Mr. Rogan as an example of such a document. There being no further discussion, Dr. Rosenthal called for a motion authorizing the development of a roles and responsibility document.

MSC

"that Braddock Management, LP be authorized to develop a Roles and Responsibilities document for the Advisory Board of Northside Operating Company."

Northside Operating Company
October 10, 1995
Page 10

K. Braddock Management, LP, - Performance Bonus for 1995

Mr. Gross discussed the outstanding performance of the Braddock management team and the suitability, as such, of rewarding performance bonuses. Mr. Gross explained that the Board would be presented with a recommendation of the amount of the proposed bonus. The Board would then review and approve these recommendations, as appropriate. There being no objections, Dr. Rosenthal called for a motion that such a list be developed.

MSC

"that Mr. Gross, in conjunction with Mr. Rogan, develop a list of recommendations of 1995 performance bonuses for Braddock Management, LP."

L. Review and Approve Community Awareness and Education Programs

Mr. Rogan gave an overview of the Programs and requested approval of same. There being no objections, Dr. Rosenthal called for a motion approving the programs.

MSC

"that the Community Awareness and Education Programs of Edgewater Medical Center be approved as submitted."

M. Review and Approve Investment Advisor

Mr. Rogan explained that the financial success of Northside Operating Company provides the opportunity to consider placing a substantial amount with an investment advisor for the purpose of providing returns beyond those obtained from the historical practice of turning over Treasury obligations. Due to the requirements of the Bond documents, Mr. Rogan discussed the fact that careful consideration must be given to the nature of such investments. As such, Mr. Rogan requested authorization to solicit proposals from qualified investment advisors for the purpose of making a recommendation to the Board. There being no further discussion, Dr. Rosenthal called for a motion authorizing Braddock Management, LP, to develop a recommendation for an investment advisor and implement in a timely fashion an investment plan.

Northside Operating Company
October 10, 1995
Page 11

MSC

"that Braddock Management, LP, be authorized to develop a recommendation for an investment advisor for Northside Operating Company and in a timely fashion, implement the investment plan upon approval of Braddock Management, LP."

VI. NEXT MEETING/ADJOURNMENT

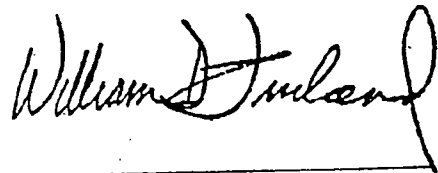
It was noted that the next meeting would take place in February, 1996, at a place, date and time to be specified. With nothing further to discuss, Dr. Rosenthal adjourned the meeting at 4:10 PM Pacific Standard Time.

Approved:



Bert P. Rosenthal, M.D.
President

Attested:



William D. Fruland
Secretary

Date:

March 2, 1996

Exhibit

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PRIMUS MANAGEMENT, INC.
708-573-1726 Office / 708-472-5115 FAX

F A C S I M I L E

ATTENTION: Mike Ficcaro

COMPANY NAME: _____

FAX NUMBER: 312/558-6538

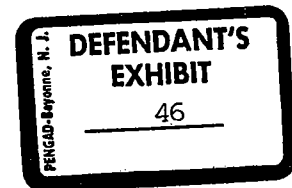
FROM: *Mike Olsen*

DATE: May 7, 1996

PAGES TO FOLLOW: 4

COMMENTS:

Mike: Pursuant to your request, I am forwarding the following for your review and understanding. Please contact me if you have any questions or concerns.



FL 005371

CONFIDENTIAL
ATTORNEY-CLIENT PRIVILEGE

PERMIAN HEALTH CARE, INC.

Permian Health Care, Inc. ("Permian") is a Colorado nonprofit corporation exempt from federal income tax by virtue of a group exemption. Permian is governed by a five (5) member Board of Directors. Permian is considered a "Supporting Organization" under Section 509(a) of the Code (as defined below), which establishes certain requirements regarding the makeup of the Board of Directors of Permian and its subordinates.

SUBORDINATES

Permian's subordinates are exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986 (the "Code"), as amended, as organizations described in Section 501(c)(3) of the Code, by virtue of their inclusion in Permian's group exemption.

Each of Permian's subordinates are governed by a five (5) member Board of Directors, of which a majority (3) must also be members of Permian's Board of Directors. A majority of Permian's Directors must also be members of each subordinate Board of Directors. In addition, each hospital of each subordinate has a local Advisory Board that reviews hospital policy and procedures and makes recommendations to the subordinate Boards of Directors.

Vista Hospital Systems, Inc. ("Vista")

Vista is a California nonprofit, public benefit corporation, incorporated on July 6, 1990. Vista was incorporated by Permian to own and operate acute care general hospitals, and in anticipation of the acquisition of Arroyo Grande Community Hospital ("AGCH") and Circle City Medical Center ("CCMC"). AGCH is an acute care hospital licensed for 79 beds located in Arroyo Grande, California. At the time, CCMC was an acute care hospital licensed for 99 beds located in Corona, California.

In October, 1992, Vista acquired Corona Community Hospital ("CCH"), an acute care hospital licensed for 148 beds, also located in Corona, California. Vista merged the operations of CCMC and CCH to form Corona Regional Medical Center ("CRMC"), which now consists of an acute care hospital campus licensed for 148 beds with a comprehensive outpatient center, and a rehabilitation hospital campus licensed for 77 beds.

Also in October, 1992, Vista became the sole corporate member of a private foundation, now known as Corona Regional Medical Center Foundation ("CRMCF"), which corporate membership has since been transferred to Permian. Permian oversees all fund raising activity for its subordinates. CRMCF has its own IRS determination letter and is not technically a subordinate of Permian.

FL 005372

CONFIDENTIAL
ATTORNEY-CLIENT PRIVILEGE

Northside Operating Co. ("Northside")

Northside, an Illinois not for profit corporation, was incorporated on August 18, 1993, to own and operate acute care general hospitals. On August 17, 1994, Northside acquired Edgewater Medical Center ("EMC"), an acute care hospital licensed to operate 335 beds located in Chicago, Illinois.

Vista Medical Foundation, Inc. ("Foundation")

The Foundation, a California nonprofit, public benefit corporation, was incorporated on November 15, 1995, for the purposes of, among other things, establishing, operating, maintaining and contracting with third party payors, health care providers and primary and multi-specialty clinics and promoting charitable health care, educational and medical research activities. The Foundation acquired Circle City Management Services, Inc. ("CCMS"), located in Corona, California, on March 5, 1996. CCMS is operated by the Foundation under the name Circle City Medical Group ("CCMG"). CCMG is a medical foundation which contracts with third party payors for the provision of health care services to defined populations, provides a full range of administrative services for the provision of such services, and contracts with physician provider groups and individual providers for the provision of medical and related services to the Foundation's patients.

CONFIDENTIAL
ATTORNEY-CLIENT PRIVILEGE

**PERMIAN HEALTH CARE, INC.
MANAGEMENT ENTITIES**

Each subordinate of Permian Health Care, Inc. ("Permian") is required by its respective bondholders to be managed by a professional hospital management company. Each of Vista Hospital Systems, Inc., Northside Operating Co. and Vista Medical Foundation, Inc. is managed, under contract, by the following entities. If at any time, as long as each subordinate's bonds are outstanding, the respective entity below is no longer under contract to manage the facility, each set of bond documents requires that another nationally recognized hospital management company be hired. Under certain circumstances, the bondholders have veto rights regarding the selection of the hospital manager.

Primus Management, Inc. ("Primus") - Vista Hospital Systems, Inc.

Primus, a California corporation, was formed in 1993 as the successor organization to Alpha Hospital Management, Inc., which was formed in 1989 by F. Scott Gross. Primus has direct responsibility to the Permian Board of Directors for certain functions. Primus also manages Corona Regional Medical Center and Arroyo Grande Community Hospital pursuant to a management agreement with Vista Hospital Systems, Inc.

Braddock Management, LP ("Braddock") - Northside Operating Co.

Braddock, a California limited partnership, was formed in late 1993 as part of a strategic corporate restructuring of Primus. Braddock manages Edgewater Medical Center pursuant to a management agreement with Northside Operating Co. The General Partner of Braddock is Waldo Point Management, the stock of which is owned and controlled solely by F. Scott Gross.

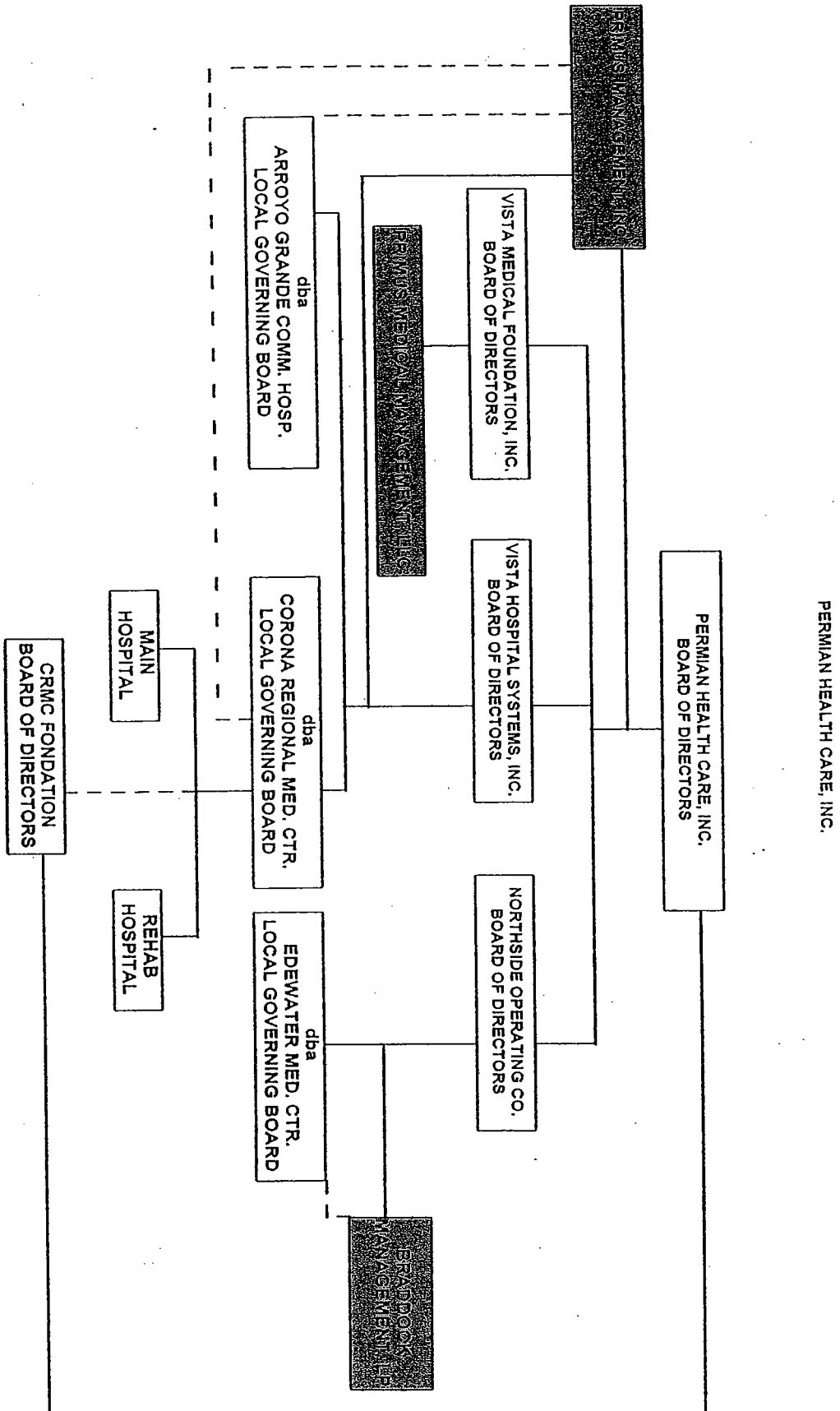
Primus Medical Management, LLC ("PMM") - Vista Medical Foundation, Inc.

PMM, a California limited liability company, was formed in early 1996 to manage physician practice groups and medical service organizations. PMM manages Vista Medical Foundation, Inc. pursuant to a management agreement. PMM's managing member is Braddock Services, Inc., which was formed and is controlled by F. Scott Gross.

NOTE: F. Scott Gross, directly or indirectly, owns, operates and controls the above entities through various trusts established for estate planning purposes.

FL 005374

CONFIDENTIAL
ATTORNEY-CLIENT
PRIVILEGE



FL 005375

Exhibit

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07/25/1996 10:52 2197939570

JKR BUSINESS

PAGE 02

BRADDOCK MANAGEMENT, L.P.

Midwest Region Office

1619 Edgewater Avenue
Chicago, Illinois 60660-4001
312/878-8080 • Fax: 312/878-6151

June 4, 1996

F. Scott Gross
c/o Primus Management, Inc.
111 Sutter Street, Ste 2150
San Francisco, California 94104

Re: 1995 Braddock Management, L.P. Bonus Allocation

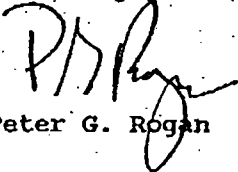
Dear Scott:

As you are aware, Northside Operating Company allocated Braddock Management, L.P. up to a \$500,000.00 bonus for employees assigned to Northside Operating Company with respect to this calendar year 1995 activities. You have previously approved 1995 employee bonuses in the total amount of \$266,891, which were paid to all other Braddock employees, but have not yet finalized my 1995 bonus.

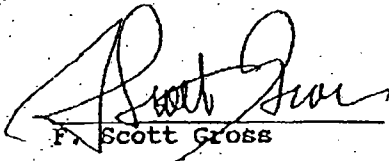
As we discussed, please provide me with direction with respect to the amount (if any) of my 1995 bonus. Please indicate below, on the enclosed copy of this letter, the amount of my 1995 bonus (if any), so that I may cause the year ended December 31, 1995 to be closed.

Of course, please call if you have any additional questions.

Cordially yours,

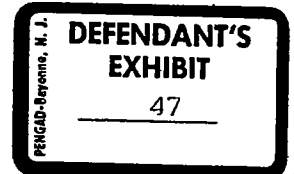

Peter G. Rogan

The bonus payment allocable to Peter G. Rogan attributable to his 1995 services shall be the sum of \$75,000.


F. Scott Gross

Corporate Office

One Eleven Sutter Street, Suite 2150, San Francisco, CA 94104
415/627-0755 • Fax: 415/627-0766



TR 001324

JUL-25-1996 11:10

2197939570

94%

P.02

Exhibit

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cc: John Takoles

WALDO POINT MANAGEMENT, INC.
One Eleven Sutter Street
Suite 2150
San Francisco, California 94104

June 24, 1996

Peter G. Rogan
President - Braddock Management, LP
5700 North Ashland Avenue
Chicago, IL 60660

Dear Peter:

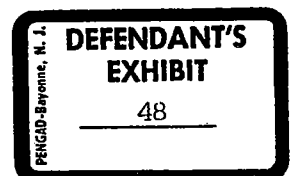
As you are aware, Northside Operating Co. allocated Braddock Management, LP up to \$500,000.00 for bonuses for employees assigned to Northside Operating Co. with respect to calendar year 1995 activities. We have previously reviewed, and approved, individual 1995 bonuses in the amount of \$342,979.00, which have been paid to the respective Braddock employees.

As we have concluded that all appropriate 1995 bonuses have been paid, the preliminary amount paid by Northside Operating Co. to Braddock Management, LP for 1995 bonuses was greater than the actual amount of the bonuses awarded. Therefore, it is appropriate that Braddock Management, LP refund to Northside Operating Co. \$157,021.00, the balance of the 1995 allocation.

This letter serves as your authorization to proceed with this refund. This transaction will complete 1995 activities. Please advise me if you require any additional information.

Sincerely,


F. Scott Gross



TR 001282

Exhibit

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